MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020 SESSION

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING

(All Section / Groups)

4 MARCH 2020
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages excluding cover page with 4 Questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

The following balances have been extracted from the books of Rachel Berhad as at 31 December 2019.

	Debit RM	Credit RM
Land and Buildings	300,000	
Motor vehicles	220,000	
Machinery	170,000	
Patents	100,000	
Retained earnings, 1 Jan		140,000
8% Note payable, 10 years		200,000
Share capital-ordinary		400,000
Accumulated depreciation-Motor vehicles		79,200
Accumulated depreciation-Machinery		51,000
Return outwards		1,200
Purchases and sales	300,000	600,000
Discount received		3,500
Carriage inwards	4,700	
Inventory, 1 Jan	89,000	
Account receivables and Payables	66,000	56,400
Allowance for doubtful accounts		700
Salary expense	90,400	
Utility expense	5,100	
Bad debts	1,700	
Cash	95,000	
Interest paid	6,000	
Supplies	32,100	
Dividends	52,000	
	1,532,000	**1,532,000**

Additional information:

1. Closing inventory at 31 December 2019 was valued at RM98,000.
2. Salaries paid in advance were RM3,000.
3. A utility bill for RM400 has not been recorded and will not be paid until next month.

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4. Depreciation is to be charged as follows:

Motor Vehicles	20% on reducing balance method.
Machinery	10% on straight line method.

5. A credit sale invoice for RM5600 was posted as RM6500. This error has not been adjusted in the book of Rachel Berhad.
6. Allowance for doubtful accounts amounting to 2 % of net account receivable has to be provided.
7. Supplies used during the financial year is RM 12,000.
8. The balance of the interest on bond payable has not been paid for the year.
9. The patent was acquired on 1 January 2019 and has a useful life of 8 years from that date.

Required:

a) Prepare the statement of profit or loss for the year ended 31 December 2019.

(10 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2019.

(3 marks)

c) Prepare the statement of financial position as at 31 December 2019.

(12 marks)

[Total 25 marks]

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QUESTION 2

Part A

The bank statement for Norman Berhad for the month of November 2019 showed a balance per bank of RM6,000. The company's Cash account in the general ledger had a balance of RM4,599 at November 30. Other information is as follows:

(1) Cash receipts for November 30 recorded on the company's books were RM6,000 but this amount does not appear on the bank statement.

(2) The bank statement shows a debit memorandum for RM40 for check printing charges.

(3) Check No. 119 payable to Maris Enterprise was recorded in the cash payments journal and cleared the bank for RM248. A review of the accounts payable subsidiary ledger shows a RM36 credit balance in the account of Maris Enterprise and that the payment to them should have been for RM284.

(4) The total amount of checks still outstanding at November 30 amounted to RM5,800.

(5) Check No. 138 was correctly written and paid by the bank for RM409. The cash payment journal reflects an entry for Check No. 138 as a debit to Accounts Payable and a credit to Cash in Bank for RM490.

(6) The bank returned an NSF check from a customer for RM560.

(7) The bank included a credit memorandum for RM2,060 which represents collection of a customer's note by the bank for the company; principal amount of the note was RM2,000 and interest was RM60. Interest has not been accrued.

(8) Check No. 142 for RM1,060 has been correctly debited in the bank statement but not shown in the cashbook of the firm.

(9) A monthly payment to ASTRO for RM1,000 was wrongly paid twice by the bank.

Required:

a) Prepare the bank reconciliation as at 30 November 2019. (6 marks)

b) Describe TWO (2) reasons that cause the balance on the bank statement to differ from the cash balance on the books. (4 marks)

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Part B

Beginning inventory, purchases, and sales data for tennis rackets are as follows:

April 1	Inventory	12 units	@	RM45
7	Purchase	13 units	@	RM47
14	Sale	18 units	@	RM70
21	Purchase	9 units	@	RM60
25	Sale	10 units	@	RM70

Required:

Determine the ending inventory and the cost of goods sold under each of the assumed cost flow methods:

a) FIFO. (8 marks)

b) Average cost (Round cost per unit to two decimal places). (7 marks)

(The company uses a perpetual inventory system)

[Total 25 marks]

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QUESTION 3

Part A

The statement of profit or loss of Hall Marine Repairs is as follows:

Hall Marine Repairs
Statement of profit or loss
For the Month Ended 30 April 2019

Revenue		
Service Revenue		RM8,500
Expenses		
Salaries and Wages Expense	3,900	
Supplies Expense	1,050	
Insurance Expense	600	
Utilities Expense	400	
Depreciation Expense	350	
Total Expenses		6,300
Net Income		2,200

On April 1, the retained earnings account had a balance of RM12,900. During April, the company paid RM3,000 for dividends.

Required:
Prepare closing entries as at April 30. (6 marks)

Part B

The AEDA Beauty Clinic purchased a new surgical laser for RM80,000. The estimated salvage value is RM6,000. The laser has a useful life of four years and the clinic expects to use it 20,000 hours. It was used 5,200 hours in Year 1; 5,000 hours in Year 2; 5,050 hours in Year 3; 4,750 hours in Year 4.

Required:

a) Compute the annual depreciation for each of the four years under each of the following methods:
   i) Straight-line. (2 marks)
   ii) Units-of-activity. (5 marks)

b) Which method would result in the lowest reported income in the first year and which method would result in the lowest total reported income over the four-year period? (2 marks)

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Part C

On 1 January 2019, Howath Berhad had a balance in its Allowance for Doubtful Accounts of RM9,000. During current year the following transactions and events affected the Allowance for Doubtful Accounts:

April 15	James & Co account receivable of RM6,300 was deemed uncollectible.
July 1	TKS paid the full amount of a previously written-off account receivable which amounted to RM2,500.
Dec 31	The company estimated that RM8,500 of accounts receivables balance would be uncollectible.

Required:

a) Prepare journal entries to record the above transactions. Show all workings.
(8 marks)

b) What should be the amount reported in the Allowance for Doubtful accounts in the Statement of Financial Position at Dec 31?
(2 marks)

[Total 25 marks]

QUESTION 4

Part A

The Star Berhad issued 10%, 10-year bonds with a par value of RM1,000,000 on January 1, 2019 at a selling price of RM885,295 to yield the buyers a 12% return. The company uses the effective interest amortization method. Interest is paid semiannually each June 30 and December 31.

Required:

a) Using the above information, describe the types of bond issuance by The Star Berhad. Explain your answer. (4 marks)

b) Prepare journal entries to record the bond issuance on January 1 and the payment of semiannual interest on June 30 and Dec 31, 2019 (Round-off the amount). Please show all workings. (8 marks)

c) Determine the amount of bonds payable account reported in the Statement of Financial Position at Dec 31, 2019. (3 marks)

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Part B

Below is the financial statement reports of Maju Jaya Berhad:

Maju Jaya Berhad
Comparative Statements of Financial Position
As at 31 December 2019

	2019	2018
Assets	RM	RM
Property, plant and equipment (net)	260,000	300,000
Inventory	50,000	70,000
Accounts receivable (net)	50,000	30,000
Short-term investments	15,000	60,000
Cash	25,000	40,000
Total Assets	400,000	500,000
Equity & Liabilities		
Share capital – ordinary	150,000	150,000
Retained earnings	110,000	70,000
Bonds payable	80,000	160,000
Accounts payable	20,000	30,000
Short-term notes payable	40,000	90,000
Total Equity & Liabilities	400,000	500,000

Maju Jaya Berhad
Statement of Profit or Loss
For the Year Ended 31 December 2019

	RM
Net sales	400,000
Cost of goods sold	240,000
Gross profit	160,000
Operating expenses	42,000
Income from operations	118,000
Interest expense	18,000
Income before income taxes	100,000
Income tax expense	30,000
Net Income	70,000

Additional information:

a) Cash dividends of RM25,000 were declared and paid in 2019.
b) Weighted-average number of ordinary shares outstanding during 2019 was 28,000 shares.
c) Market value of ordinary shares on 31 December 2019, was RM24 per share.

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Required:

Compute the following ratios for 2019. Show all workings.

1) Current Ratio
2) Return on ordinary shareholders' equity
3) Price-earnings ratio
4) Acid-test ratio
5) Accounts receivable turnover
6) Times interest earned
7) Profit margin
8) Days in inventory
9) Payout ratio
10) Return on assets

(10 marks)

[Total 25 marks]

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